



The Social Chain AG[©]

GROUP QUARTERLY STATEMENT

FOR THE PERIOD 1 JANUARY TO 30 SEPTEMBER 2021



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Photo © Carl-Wilhelm-Clasen Group, The Social Chain AG

1. Market environment

According to statistics of the Bundesverband E-Commerce und Versandhandel (bevh) (Federal Association for e-commerce and mail order), e-commerce sales of goods in Germany, the most important market of The Social Chain AG (hereinafter “TSC AG” or “TSC AG Group”), decreased by 8.1% from EUR 24,141 billion in Q2 2021 to EUR 22,194 billion in Q3 2021. The third quarter is considered the weakest quarter for e-commerce due to seasonal factors. Additionally, the gradual recovery of public life in Q3 2021 resulted in a decline compared to Q2 2021. Sector revenues, however, rose by a further 14.3% in comparison to Q3 2020 (EUR 19,329 billion) accounting for the third quarter with the strongest growth in five years.

(Sources: www.bevh.org/presse/pressemitteilungen/details/e-commerce-mit-staerkstem-wachstum-im-dritten-quartal-seit-2017.html; www.bevh.org/presse/pressemitteilungen/details/onlinehandel-mit-waren-waechst-im-ersten-halbjahr-2021-um-232-prozent.html)

2. Revenue performance of TSC AG Group

TSC AG continues to grow strongly in Q3 2021, with the third quarter being a relatively moderate quarter in comparison to the first two quarters of the year and in line with the overall market development. Overall, TSC AG generated revenues of EUR 216.1 million in the period from 1 January 2021 to 30 September 2021. This corresponds to an increase of 137.4% compared to previous year’s revenues, whereby the acquisition of the Carl-Wilhelm-Clasen Group in December 2020 and other acquisitions contributed around one third to this increase.

3. Key operational highlights in the period from 1 January to 30 September 2021

TSC AG Group’s “Food Chain” vertical in particular, including the companies KoRo Handels GmbH (“KoRo”), Berlin and the Carl-Wilhelm-Clasen Group (a.o. “Clasen Bio”), Schwarzbek, continues to grow above average both in the third quarter and in the YTD comparison, with revenue growth of +57.8% to an amount of EUR 84.6 million compared to proforma revenues in the first nine months of 2020.

On 5 July 2021, the minority shareholders of KoRo Handels GmbH, Berlin, accepted TSC AG’s offer to sell all its shares in KoRo Handels GmbH to TSC AG. According to the contractual agreements, the put option purchase price is calculated on the basis of a business plan approved by the shareholders’ meeting and is to be settled half in cash and half in shares. Both parties are currently in negotiations to determine the final purchase price. A withdrawal of the exercise of the option by the minority shareholders of KoRo Handels GmbH is also a possible option. Against this background, no legal completion of the share purchase can be reported at this point in time.

The consolidated balance sheet as of 30 September 2021 includes purchase price liabilities amounting to the put option’s fair value of EUR 4.2 million which was determined as part of the consolidated interim financial statements as of 30 June 2021 and is still disclosed as of the reporting date. The put option holders expect a significantly higher put option price.

LGR Nuss & Trockenfrucht Veredelungs GmbH & Co. KG, Schwarzbek, which is part of the Clasen Group, made investments following its decision to expand its production by a second production line in the third quarter, mainly by means of leasing a new production site and the acquisition of first technical equipment. Full operational start is expected for early 2022.

4. Key Performance Indicators

Revenues, Gross Margin, EBITDA and Adjusted EBITDA

in '000 EUR	01/01/2021 – 30/09/2021	01/01/2020 – 30/09/2020
Revenues	216,068	91,011
Gross margin ¹⁾ (absolute)	73,862	41,328
Gross margin ¹⁾ (as % of revenues)	34.2%	45.4%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	-10,658	-3,602
Earnings before interest, taxes, depreciation and amortization (EBITDA) - Margin	-4.9%	-4.0%
Adjustment	7,965	4,108
Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA)	-2,693	506

¹⁾ Gross margin corresponds to sales revenues plus changes in inventory and less cost for materials.

Net Working Capital

in '000 EUR	30/09/2021	30/09/2020
Net working capital¹⁾	31,849	1,133

¹⁾ Net working capital corresponds to current assets less current liabilities excluding loans, liabilities to banks, bonds and liabilities from put options.

Net debt

in '000 EUR	30/09/2021	30/09/2020
Net financial debt (short-term)¹⁾	28,525	33,845
Total debt²⁾	93,922	41,120

¹⁾ The net financial debt (short-term) corresponds to current financial liabilities less cash and cash equivalents and current financial assets.

²⁾ Total debt corresponds to net financial debt (short-term) plus non-current financial liabilities, non-current provisions and other non-current non-financial liabilities.

Employee development

As of 30 September 2021, TSC AG employed a total of 851 people.





5. Significant events after the quarterly reporting date

Acquisition of DS Group

On 19 October 2021, TSC AG reached an agreement with the current shareholders on the acquisition of all shares in DS Group by TSC AG ("Signing"). The purchase price amounts to EUR 220.5 million and consists of a cash component of EUR 100 million and a share component of EUR 120.5 million (2.855 million shares).

DS Group is an international brand and trading company with currently over 4,000 products. The acquired subgroup employs a total of 550 people.

Wanja S. Oberhof, CEO and co-founder of Social Chain AG, commented on the transaction: "With the acquisition of DS Group, we are building a social commerce platform on an international scale. In future we will grow significantly in Europe and the USA. The comprehensive brand and product portfolio of DS Group is perfectly suited for direct marketing to end customers via social commerce. At the same time, the diverse sales channels of DS Group strengthen the sales opportunities of the existing own social chain brands."

Through the integration of DS Group, TSC AG expects considerable growth: Total revenues of more than one billion Euros are targeted for the 2023 financial year. Additionally, EBITDA-effective synergy effects totalling EUR 40 million to EUR 50 million are expected to result from the acquisition in the first three years following the takeover.

On a proforma basis, the following performance indicators for TSC AG Group, including DS Group are reported for the first nine months ended 30 September 2021:

Revenues, Gross Margin and EBITDA

in '000 EUR	01/01/2021 – 30/09/2021
Revenues	478,625
Gross margin ¹⁾ (absolute)	148,466
Gross margin ¹⁾ (as % of revenues)	31.0%
Earnings before interest, taxes, depreciation and amortization (EBITDA)	11,077
Earnings before interest, taxes, depreciation and amortization (EBITDA) - Margin	2.3%

¹⁾ The gross margin corresponds to sales revenues plus changes in inventory and less cost of materials.

Due to the acquisition of the DS Group, the number of employees is expected to increase to over 1,400 employees as of 31 December 2021.

Uplisting Prime Standard

TSC AG successfully completed its uplisting in the Prime Standard of the Frankfurt Stock Exchange on 12 November 2021 and is listed under WKN: A1YC99, ISIN DE000A1YC996.

According to the Social Chain CEO Wanja S. Oberhof, the listing of Social Chain AG in the premium segment of the leading German stock exchange is "based on the growth and inno-

vative business model of TSC AG and represents a groundbreaking step for the group and its shareholders.”

With its listing in the premium segment of Germany’s leading stock exchange, Social Chain AG established the basis for its further expansion in the future market of social commerce. Due to the deep integration of social media and e-commerce, social commerce will play an outstanding role in the product and brand world of the future.

The initial issue price was EUR 54.00 and thus represents a market capitalization of almost EUR 620 million.

6. Outlook full fiscal year 2021

Planned capital increases in Q4/2021

As announced previously, the consideration to be paid by TSC AG to the shareholders of DS Holding GmbH consists of 2,855 million newly issued shares and a cash component of EUR 100 million.

For the partial purchase price settlement in shares that was agreed with regard to the acquisition of DS Holding GmbH by TSC AG, a capital increase through contributions in kind comprising 2,855 million new shares of Social Chain AG from authorized capital is targeted in Q4/2021 which will increase the total number of issued Social Chain AG shares from 11,453 million to 14,308 million shares.

The cash component of the purchase price is to be financed from a combination of debt and equity. The equity to partially finance the cash component will be raised via an accelerated placement process. The new shares will be offered exclusively to institutional investors. The subscription rights of the existing TSC shareholders will be excluded.

Performance Q4 2021

With the acquisition of DS Group, TSC AG expects total revenues of EUR 620 million in the financial year 2021 (based on a proforma consolidation).

Governance

As part of the implementation of the DS transaction, the management of TSC AG will be extended to take account of the significantly enlarged group. The former managing director of DS Group, Ralf Dümmel, is to be appointed to the executive board on a long-term basis and will be primarily responsible for all operational areas as Chief Product Officer (CPO).





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Disclaimer

The Quarterly Statement contains information about future scenarios based on current management assumptions and forecasts. Known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, the financial position and performance of the company and such forecasts. TSC AG assumes no obligation to update the information and forward-looking statements contained in the present report, save for any statutory obligation to disclose.

The financial figures have been prepared in accordance with the international accounting standards (IFRS) as applied in the EU. However, this Quarterly Statement is not an interim financial statement within the meaning of the international accounting standard IAS 34.

Due to rounding, it is possible that individual figures in this and other documents do not exactly add up to the specified total and that the percentages shown do not exactly reflect the absolute values to which they refer.